

PREPARED STATEMENT
OF
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and
Board Member of the Small Business Technology Coalition
In a Hearing before the
HOUSE COMMITTEE ON GOVERNMENT REFORM
May 17, 2006

Chairman Davis, Ranking member Waxman, and distinguished members of the Committee, it is an honor to have the opportunity to appear before you today to discuss a timely and significant challenge facing the Defense Security Service (DSS), the Office of Personnel Management (OPM), and all small businesses which serve the Department of Defense: the ongoing moratorium on processing security clearance applications from private sector requestors.

I am Nick Karangelen, founder and president of Trident Systems Incorporated of Fairfax, Virginia. Trident is a high tech small business and has been providing technology solutions to the Department of Defense for the last 20 years including the largest collaboration facility in US Navy history, the first wireless local area network on a US Navy nuclear submarine, and a spectrum of compact affordable display, control, and communications systems for all branches of the United States Armed Forces. Trident also has a large commercial customer base and has provided real-time touch screen solutions to hundreds of companies in over forty countries including the New York and Toronto stock exchanges, Caterpillar and GM factory floors, and Motorola 911 call centers across the country. I am also a board member of the Small Business Technology Coalition (SBTC) which represents many high technology small businesses who supply products and services to the Department of Defense and other Federal agencies

I'd like to begin by thanking each member of this Committee for the outstanding effort you make to continuously improve the working of our Federal Government and to support our men and women around the globe as they protect our nation and wage the war on terrorism.

My small business colleagues and I also thank the Committee for your interest the Nation's small business community that serves the Department of Defense. Small business is widely recognized as the engine of innovation in America and the catalyst for developing ground-breaking technology and novel products. The Department of Defense and the American men and women serving in uniform across the globe are the direct beneficiaries of the wealth of innovative affordable technologies, products and services offered by small technology companies.

When the OPM took over responsibility for DSS in February of 2005, Trident noticed a significant improvement in the time required to have a clearance application accepted and an interim clearance issued. Instead of weeks or even months, interim clearances were being received in one or two days. However, the time for final clearances continued to be an average of about eight months (with some as long as 18 months). Today over 30% of Trident personnel have not yet received their final clearances. This represents a significant challenge for Trident especially with regard to some Agencies and customers which do not accept interim clearances. Since the moratorium began on 23 April 2006, Trident has submitted two clearance applications which are in a hold status (with no interim clearance issued). These individuals have not been able to begin their assigned projects and represent an annualized revenue loss of nearly \$200,000 if not corrected. Further, Trident has neither the capacity nor the resources to keep these capable employees on staff if the delay extends into summer. A number of small business executives, members of the Small Business Technology Coalition (SBTC), of which I am a board member have voiced similar concerns to me in the last week.

While all Defense contractors will surely be affected by the current moratorium on processing security clearance applications from private sector requestors, this will affect small businesses to a much greater extent and exacerbate the already considerable barriers which exist for small business in serving Defense Department. All hiring at Trident for positions requiring cleared personnel has been suspended unless the selected candidate has an active clearance which can be transferred. We also believe that this moratorium will create considerable recruiting pressure and artificial upward pressure on salaries for personnel with active security clearances (speculation on the street indicates salaries offered to cleared personnel could rise as much as 25% in a short period of time). It's likely that many small businesses will be the hardest hit both by failing to meet recruiting needs and in losing otherwise content employees to companies actively recruiting with higher salaries based on the lack of supply of cleared personnel.

I believe the short term solution of this problem must include additional funding for DSS, allowing them to at least continue to investigate and process the significant backlog of security clearances that has risen by some reports to over 300,000. In the longer term I suggest that additional automation support be provided to allow investigators to improve their productivity in investigating and processing security clearances. There are many small businesses who I believe would welcome the opportunity to offer innovative and affordable solutions to this challenge.

Thank you again for the opportunity to speak to you today on this important issue.